

**BEFORE THE
U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE**

Open and Non-Discriminatory Movement)	MMS Advance
Of Oil and Gas As Required by the)	Notice of
Outer Continental Shelf Lands Act)	Proposed Rulemaking

COMMENTS OF FOREST OIL CORPORATION

John Kjelmlyr
Richard W. Schelin
Forest Oil Corporation
1600 Broadway
Suite 2200
Denver, CO 80202
Attorneys for Forest Oil Corporation

June 11, 2004

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COMMENTS OF FOREST OIL CORPORATION

I.
INTRODUCTION

Forest Oil Corporation (“Forest”) submits these comments in response to the Advance Notice of Proposed Rulemaking on Open and Non-Discriminatory Movement of Oil and Gas on the Outer Continental Shelf as Required by the Outer Continental Shelf Lands Act (“Advance NOPR”), issued by the Minerals Management Service (“MMS”) on April 12, 2004.¹

Forest strongly supports MMS’s efforts to ensure that natural gas and crude oil moves on an open and nondiscriminatory basis through pipelines located on the Outer Continental Shelf (“OCS”). Forest also supports the MMS’s efforts to gather information from stakeholders and the public through public conferences and written comments regarding a regulatory regime to implement Section 5(f)(1)(A) of the Outer Continental Shelf Lands Act (“OCSLA”). Both of these regulatory initiatives enhance competitive options for offshore produces and onshore purchasers of natural gas, promote a more efficient marketplace and encourage the continued exploration and development of offshore resources. Forest does, however, feel that it is not

¹ 69 F.R. 19,137 (April 12, 2004).

necessary and would be counterproductive for the MMS to regulate access to separation, dehydration and compression services at offshore platforms

II.
CORRESPONDENCE AND COMMUNICATIONS

The names and mailing addresses of the persons to whom correspondence and communications concerning this proceeding are to be addressed are:

John P. Kjelmyr
Richard W. Schelin
Forest Oil Corporation
1600 Broadway, Suite 2200
Denver, CO 80202
(303) 812-1400

III.
NATURE OF INTEREST

Forest is engaged in exploring for, developing and marketing crude oil and natural gas on the OCS in the Gulf of Mexico and other producing basins. Forest has significant investment in oil and natural gas production projects on the OCS and ships oil and gas on numerous OCS pipelines. On a cumulative basis, we currently market or ship over 240,000 MMBtu of gas per day and over 11,000 barrels of oil per day on OCS pipelines. In the Gulf of Mexico, Forest operates the fourth largest number of leases and produces the eighth highest amount of combined oil and gas production.

IV. **COMMENTS**

A. Transportation of Oil or Gas by Pipeline Under Section 5(f)(1)(A) of the OCSL Does not Include Production Handling Services Performed at or Immediately Adjacent to the Wellhead.

Forest does not believe that the transportation of oil or gas by pipeline in the context of Section 5(f)(1)(A) of the OCSLA includes production handling services (“PHS”) performed on its offshore platforms. Typical PHS’s performed by Forest on its offshore platforms include separation of liquids, dehydration, compression and disposal of salt water removed from the production stream. These PHS’s are typically performed either at the wellhead when a platform has been constructed around several wellheads or at a nearby platform after production has been gathered from wells in the vicinity of the platform that have subsea completions and for which it is not economical to construct additional platforms. The PHS’s performed by Forest on its platforms pertain to the production stream and the resultant stream is then delivered to a transportation system.

Forest’s facilities used to perform PHS’s on its platforms are clearly not “pipelines” within the scope of Section 5(f)(1)(A). This is because such services are performed before the production stream enters any transportation system and are for the purpose of supporting production activities by separating heavier hydrocarbon liquids and extracting water from the production stream. Thus, such platform facilities are not “treating facilities” essential to the movement of gas in interstate commerce. They are not located along interstate pipelines. Instead, they merely effectuate the initial injection of separated and dehydrated gas into a pipeline. In the majority of cases, Forest does not own an interest in or exercise operational control over the downstream pipeline

connected to the production platform where the PHS's are performed.

Although the treating facilities located along or at the end of interstate transportation systems may be properly considered "transportation facilities", the facilities located on platforms constructed around wellheads clearly do not transport oil or gas across the OCS to shore, and therefore, fall outside the scope of activities MMS should be regulating. In fact, the MMS does not permit the cost of PHS's performed on offshore platforms to be deducted by producers like Forest when determining the value of its MMS royalty share of production, but it does permit the deduction of transportation costs. In addition, rates charged by Forest and other producers for PHS's are stand-alone fees and are separate and apart from transportation fees charged by operators of transportation systems to get gas and oil from the offshore platform to shore for sale to a customer.

B. Regulation of Production Handling Services on the Shelf is unnecessary.

The shallow waters of the Gulf of Mexico, located on the continental shelf, constitute a mature production area with many platforms operating at less than full capacity. As oil and gas production continues to decline on the shelf, the available capacity of such platforms will increase. Forest has not found access to such platforms which are located in shallow waters to be a problem. Moreover, Forest has never denied access to its platforms when requested, so long as the platform had spare capacity. Because Forest believes that access to platform production facilities on the Continental Shelf is not a problem for producers, Forest believes regulation of production handling services performed on the platforms is unnecessary and a waste of government resources.

CONCLUSION

For the reasons stated above, Forest respectfully submits that MMS should not subject PHS's' performed on offshore platforms to its regulations implementing Section 5(f)(1)(A) of the OCSLA.

Respectfully submitted,

John P. Kjelmyr
Richard W. Schelin
Forest Oil Corporation
1600 Broadway
Suite 2200
Denver, CO 80202
(303) 812-1400
Attorneys for Forest Oil Corporation

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